



State Policy Options for Developing Wind Power

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Overview

- Why states are developing wind power.
- Focus on what policies other states are using.
 - Renewable Portfolio Standard
 - System Benefit Funds
 - Property & Sales Tax Incentives
- Give an update of Federal Farm Bill



Why Wind Power?

- Why are state interested?
 - economic development (landowners & tax),
 - protection from volatile fuel prices (gas),
 - meet growing demand for power (western US),
 - improve air quality,
 - generates affordable electricity,
 - it's a domestic fuel resource,
 - adds to fuel diversity.





Economic Development: Property Tax Revenue

- Wyoming - Foote Creek Rim, 1999
 - \$480,000 property tax for Carbon Co.
- Texas - National Wind Power Site
 - ~ \$400,000 annually for Pecos county
 - ~ \$100,000 for school funds across TX
- Minnesota - in 2000
 - \$721,000 in Lincoln Co. from 155 MW
 - \$532,000 in Pipestone Co. from 113 MW



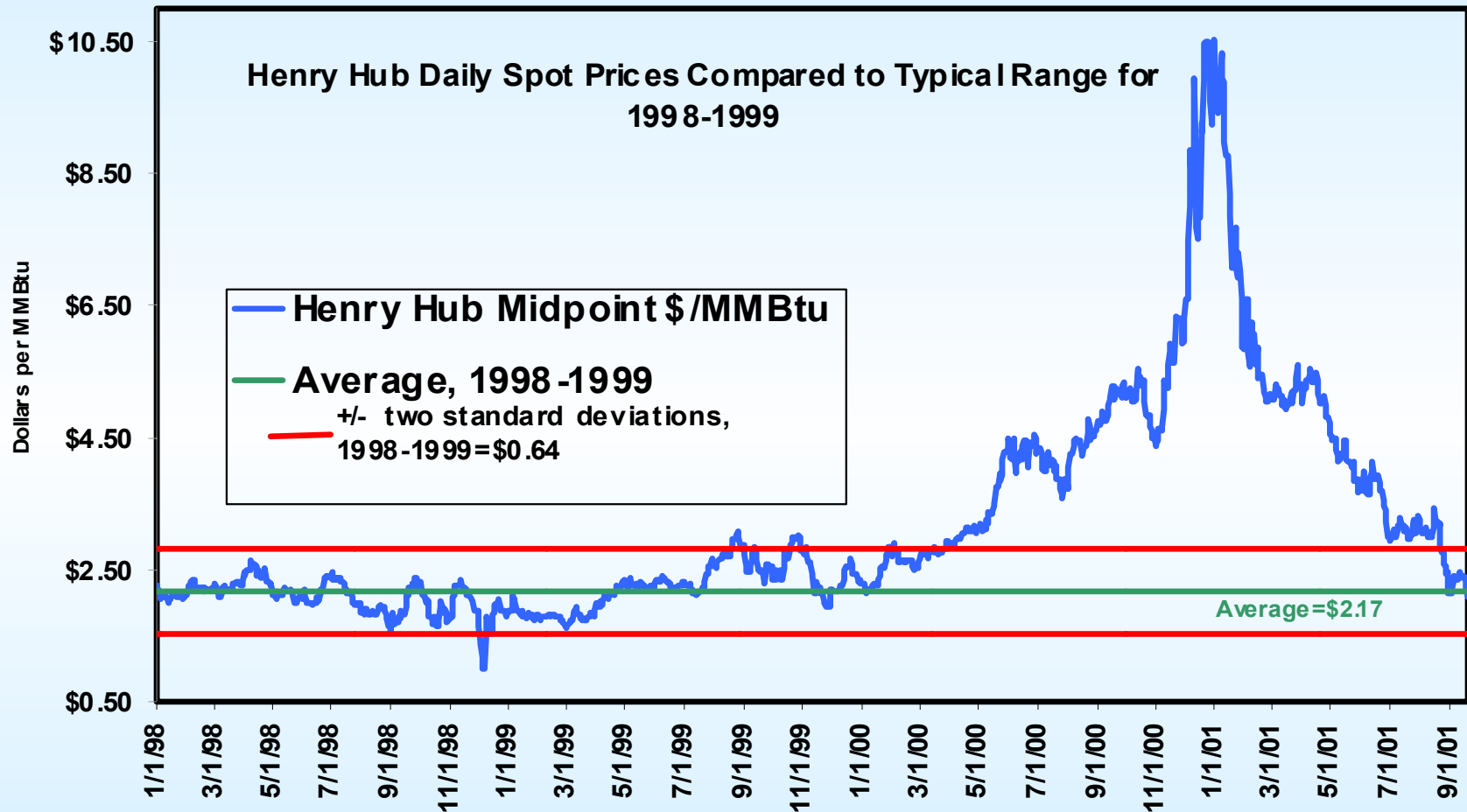


Economic Development: Landowner Revenue

- Landowners make \$1,500-\$2,500 per year for each turbine on their property
 - turbines occupy < 1 acre each
- \$\$\$ amount depends on:
 - wind resource, type of lease agreement
- Landowners warn: proceed with caution
 - new types of leases
 - “work together, get it in writing”



Natural Gas Spot Prices in September 2001 Are Within the 1998-1999 range



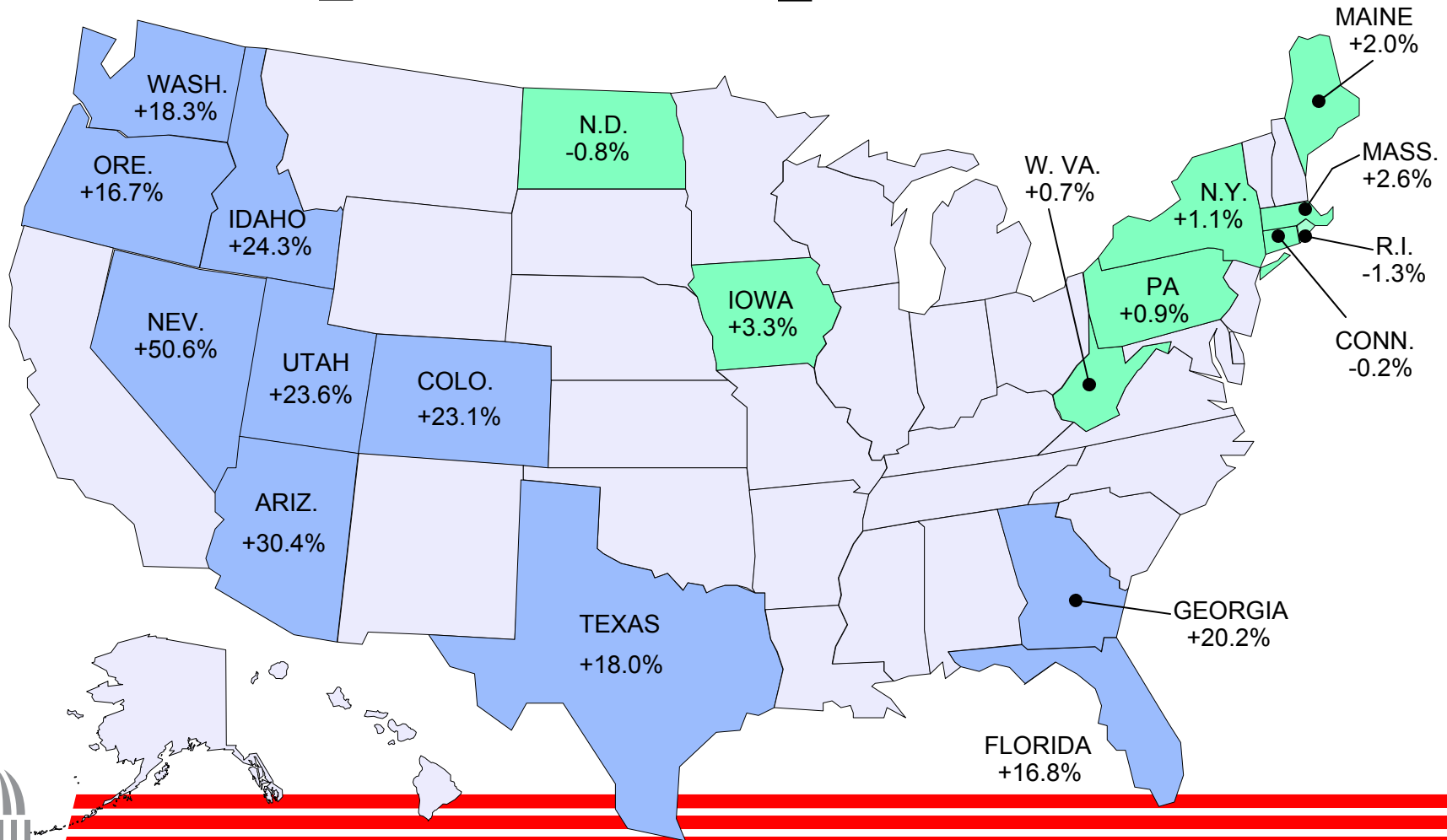
Source: Financial Times Energy, Gas Daily

A Country in Transition

Percentage changes in population from April 1, 1990 through July 1, 1999

Fastest-growing states

Slowest-growing/shrinking states





Specific Policies States Use

- Renewable Portfolio Standards (RPS)
- System Benefit Funds (SBF)
- Property & Sales Tax Incentives



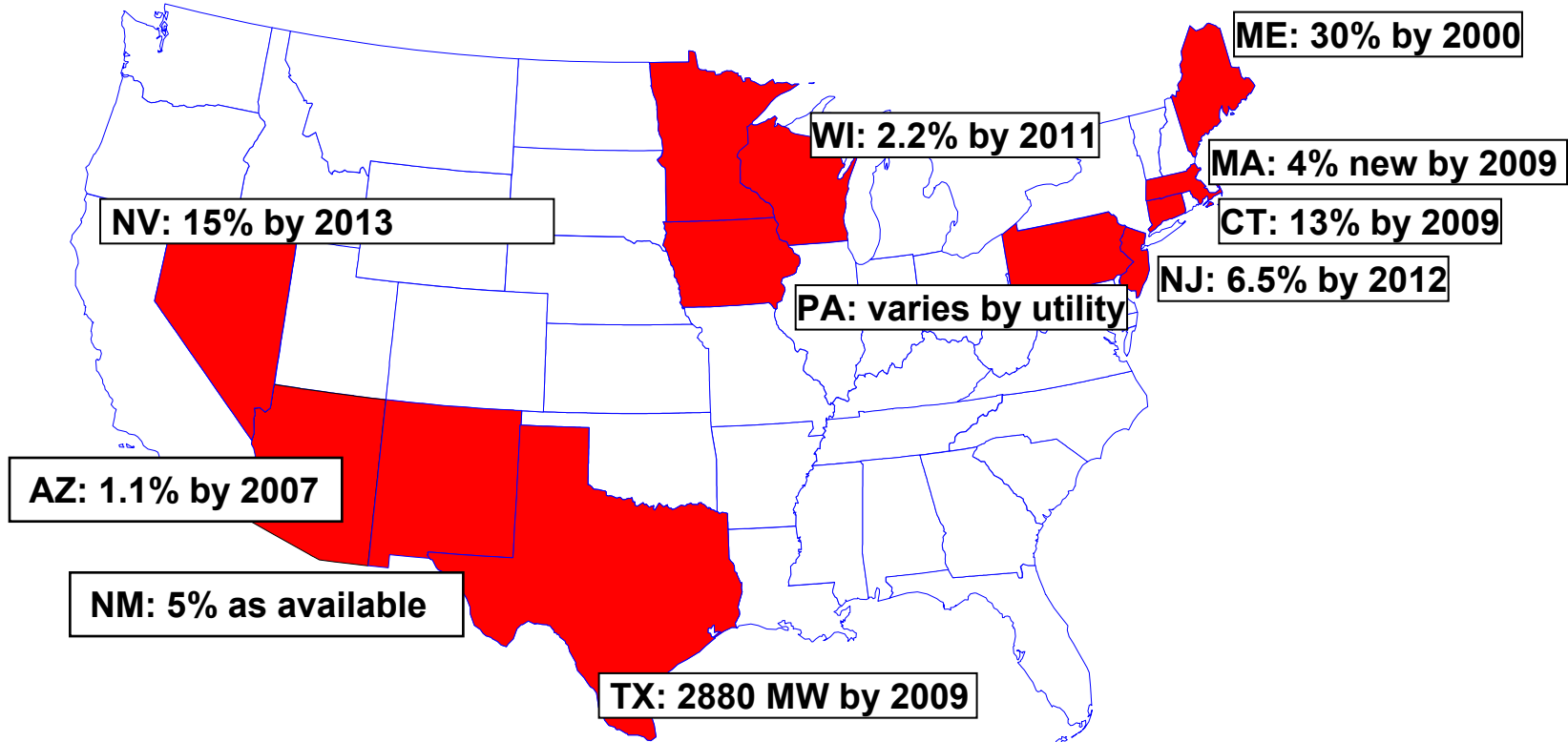


Renewable Portfolio Standard (RPS)

- Requires all electricity retailers in a state to provide a specific amount of total power from renewable energy (commonly 3-7 percent)
- Restructuring not a prerequisite:
 - NV: RPS bill separate from Restr. Bill
 - MN, IA: have RPS but not restructured
 - CO, UT: considering RPS but not Restr.



Renewable Portfolio Standards



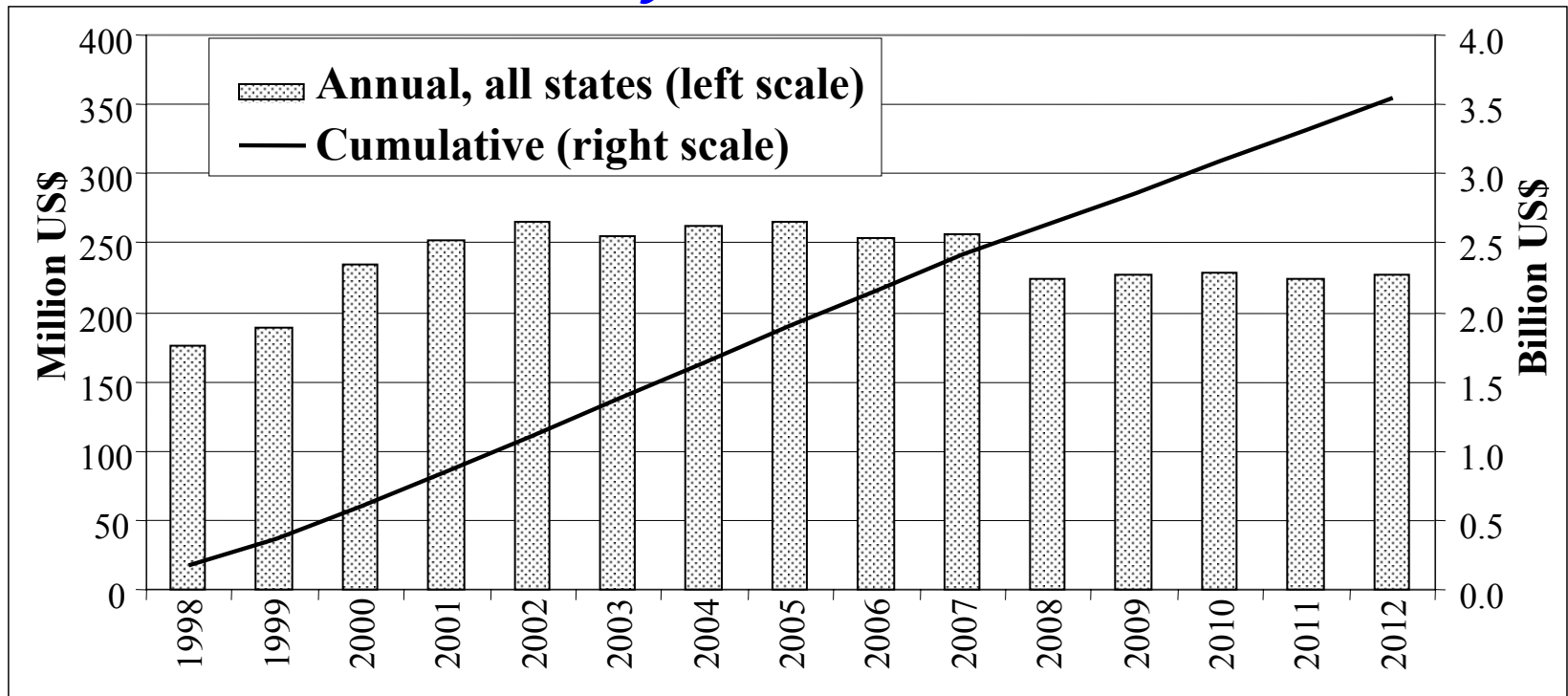


Systems Benefit Funds

- A fee paid by all electricity consumers that states use to fund:
 - renewable energy,
 - energy efficiency,
 - low-income energy assistance.



Funding Levels are Substantial for SBFs

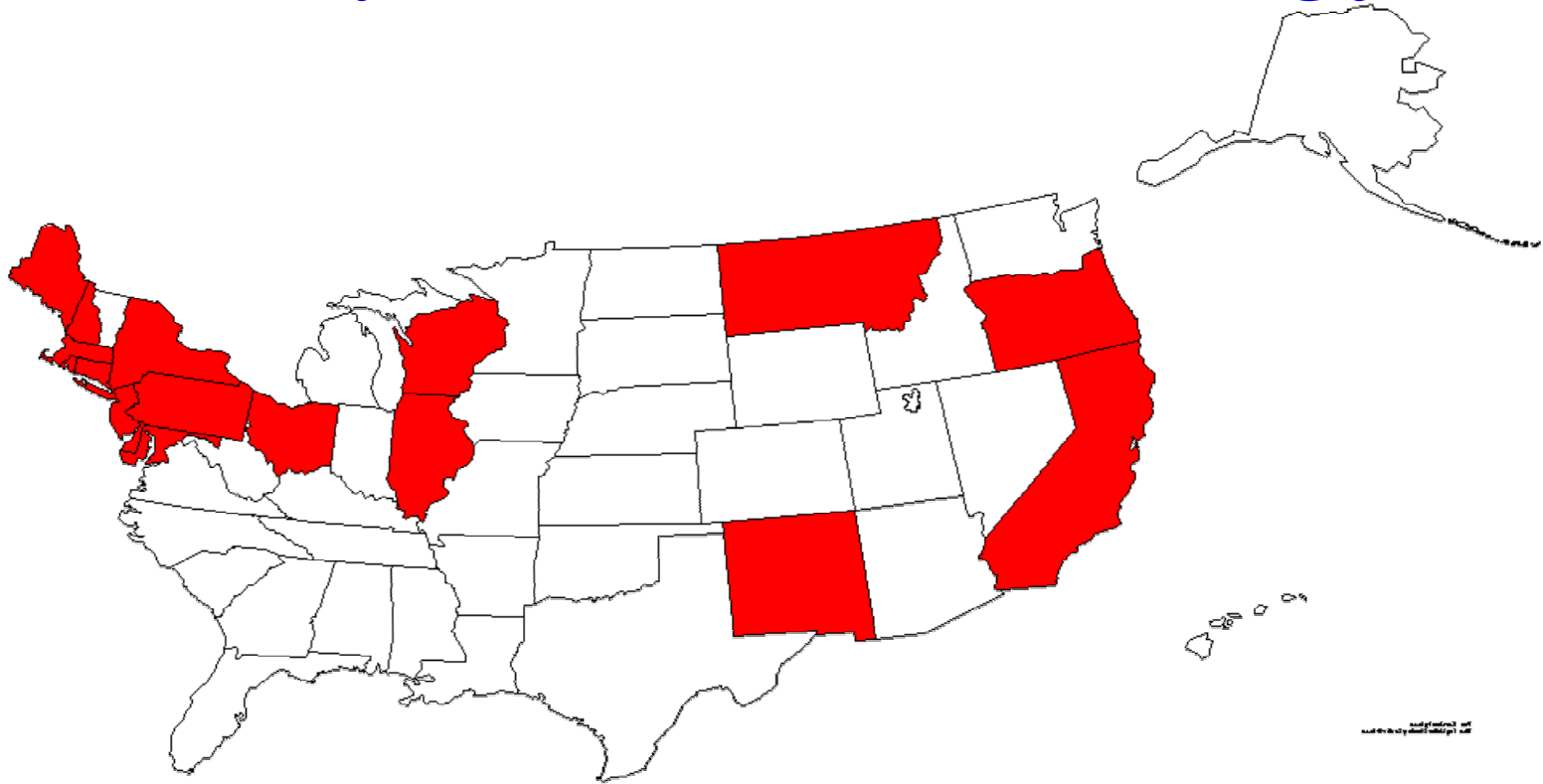


**Cumulative funding of \$3.5 billion
through 2012**





Systems Benefit Funds for Renewable Energy

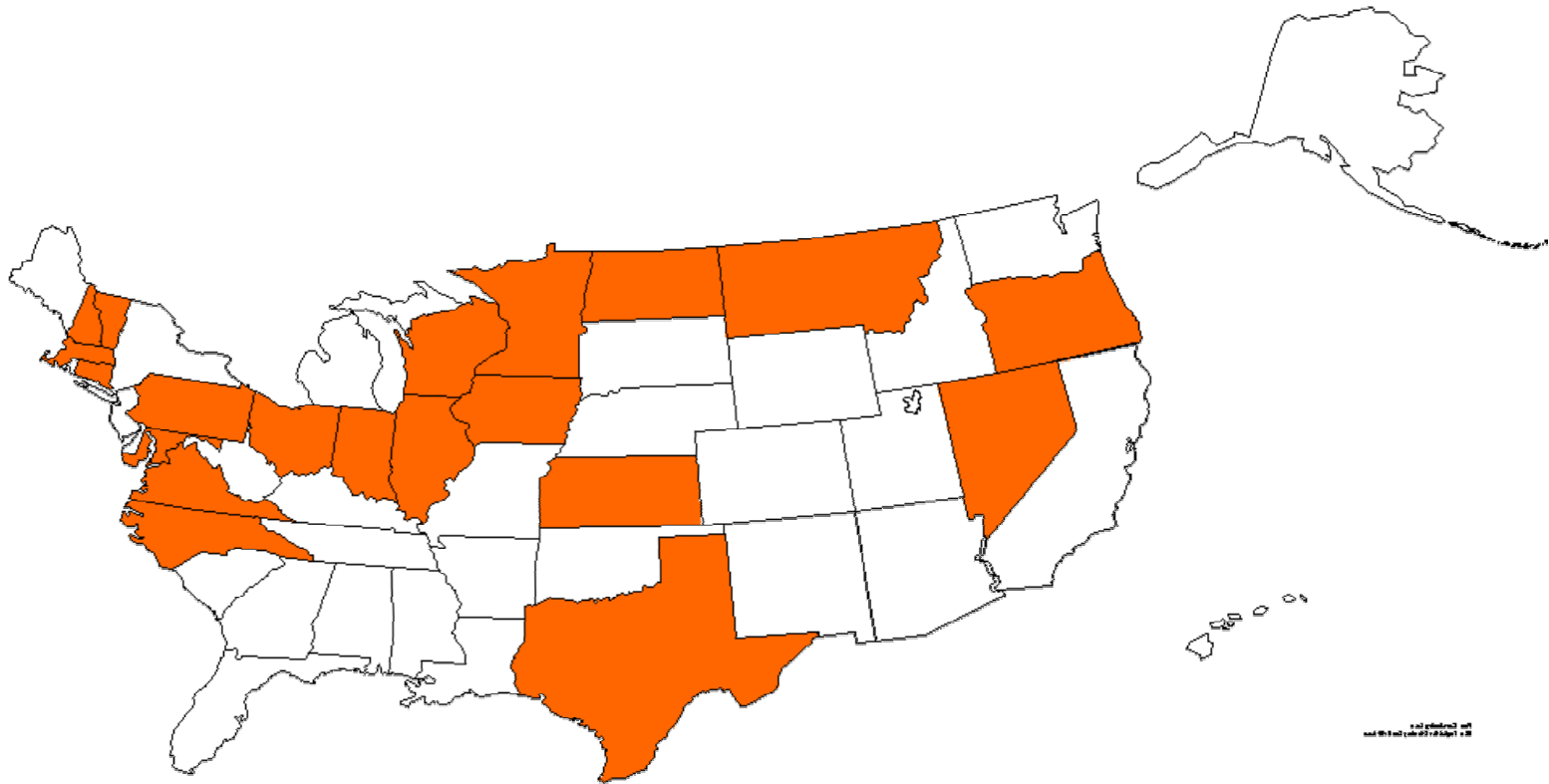


Property Tax Incentives

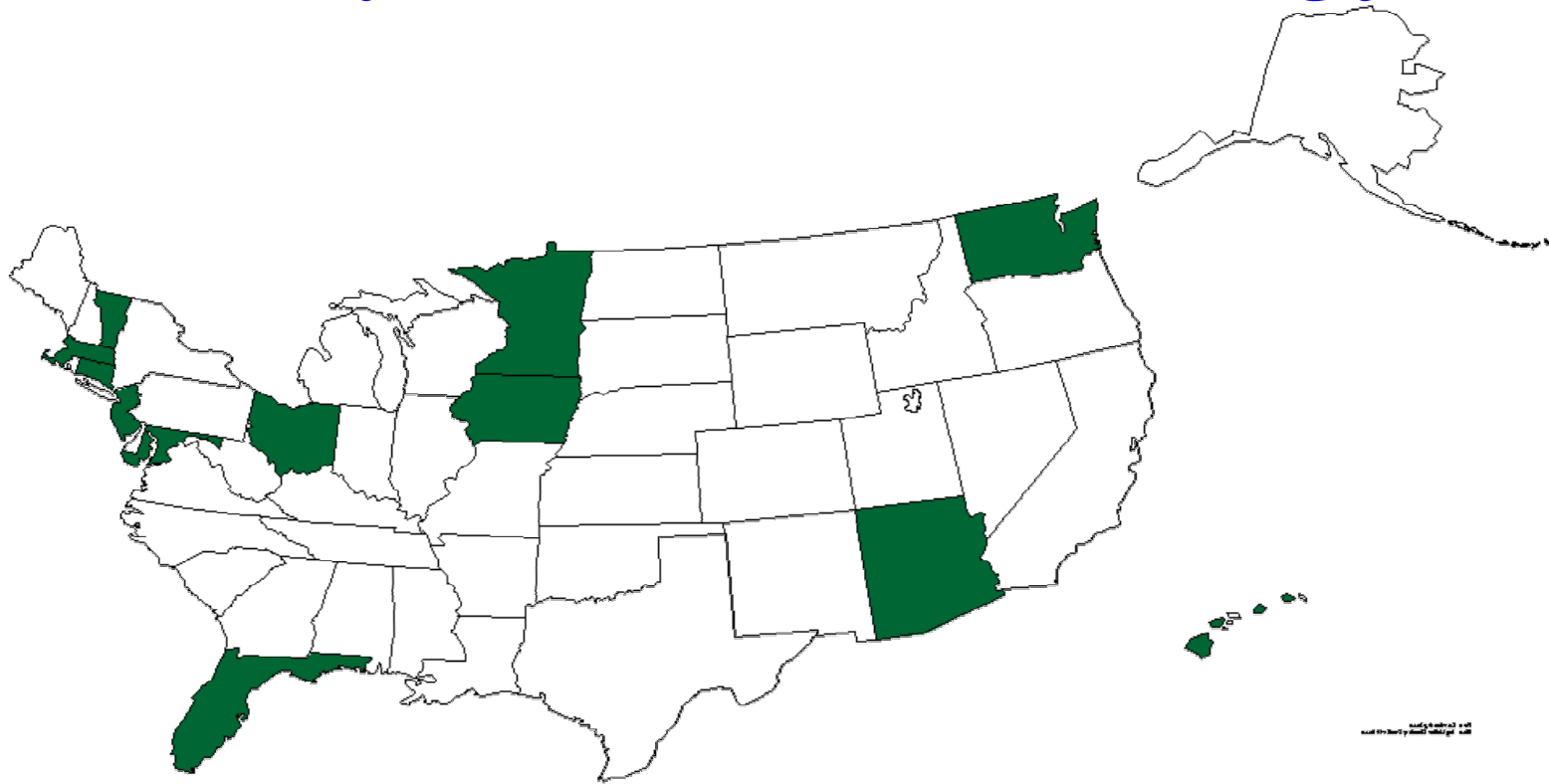
- Kansas: first wind farm (105 MW) in 2001
 - FPL taking advantage of property tax break
- Colorado - 2000 & 2001 sessions
 - SB144: levels playing field for RE facilities
 - » wind formerly assessed at ~ 2X conventional plants
 - HB 1257: defines wind as ‘pollution control’
 - » exempts ‘pollution control equipment’ used by businesses from sales and use taxes



Property Tax Incentives for Renewable Energy



Sales Tax Incentives for Renewable Energy



Federal Farm Bill Update

- Clean Energy Title of this bill seeks to promote rural economic development through tapping renewables and energy efficiency.
 - \$570 million next 5 years to help family farms, ranches & small rural businesses take advantage of “clean energy cash crops”
 - » wind power, biomass, fuel cells, energy efficiency
- Not yet law, but has bipartisan support.
 - Passed Senate Feb. 2002



Federal Farm Bill Update

- New income for farmers and ranchers via grants and loans to:
 - increase generation of electricity using wind,
 - expand farmer-owned wind power co-ops,
 - encourage harvesting crops for biomass energy.
- Job creation
 - construct/maintain new wind & biomass plants,
 - installation of energy efficient machinery,
 - expand market for biofuels



Conclusion

- Why are states developing wind power?
 - economic development (tax and royalties),
 - to protect from volatile fuel prices (gas),
 - it's a domestic and clean resource.
- Federal Farm Bill promotes:
 - rural economic development by expanding renewable energy and efficiency,
 - using renewable resources to reduce imports,
 - protect environmental quality.

